Evo's Challenge: Bolivia the Drug Hub

As Evo wins another five years in power, he faces the reality that his country is turning into a center for drug trafficking in South America. Can he stop transnational organized crime taking root?

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Bolivia: the New Hub for Drug Trafficking in South America

Transnational organized crime likes opportunities and little resistance. Bolivia currently provides both and finds itself at the heart of a new criminal dynamic that threatens national and citizen security in this landlocked Andean nation.

This new criminal dynamic centers on the changing patterns of drug consumption in the region. Mexico's dominance in the regional drug trade owes much to its position alongside the world's largest drug consumer, as well as its ability to produce drugs like heroin, marijuana, and methamphetamine.

Bolivia now sits alongside the second biggest consumer of illegal drugs in the world: Brazil. Bolivia also borders the world's principal producer of cocaine, Peru, and South America's primary producer of marijuana, Paraguay. Meanwhile, Argentina is experiencing ballooning domestic drug consumption, particularly of "basuco" or "paco," a form of crack cocaine which can be produced in Bolivia. Even the domestic drug markets in Chile and Peru are growing.

Bolivia is now literally at the heart of South America's illegal narcotics trade. Add to this the fact that Bolivia also produces its own cocaine and you have a plethora of criminal opportunities.

This dynamic in South America is totally independent of the traditional drug trafficking routes that feed the US market. Indeed, US sources consulted by InSight Crime stated that the chemical analysis of cocaine seizures in the United States show that only five percent of drugs can be traced back to Bolivia.

These dynamics alone could turn Bolivia into a drug trafficking hub, but there other reasons why this nation is such fertile ground for transnational organized crime (TOC).

It is important to note that Bolivia, with a murder rate of 11 per 100,000 inhabitants, is a safe nation by Latin American standards. President Evo Morales' government has registered significant success in the struggle against drug trafficking, principally in the control of coca crops. Nevertheless, the resources currently being deployed by the Bolivian state against TOC -- pitched against those potential profits in the drug trade -- make for an uneven contest.

The Nature of Bolivian Organized Crime

Bolivia once had its own major league drug syndicates. The most notorious was run by Roberto Suarez, who was known as Bolivia's "king of cocaine" and worked with Pablo Escobar and the Medellin Cartel. Today, organized crime in Bolivia is mainly limited to criminal clans, engaged in a wide variety of criminal activities, principally smuggling.

Those clans involved in the drug trade tend to work up to the level of coca base production. According to a senior Bolivian police source, the most sophisticated of these clans can put together up to 1000 kilograms of coca base, and deliver them to Brazilian organized crime syndicates. This coca base, or cocaine paste, then feeds the "basuco" market.

Basuco is like crack cocaine, a highly addictive form of the drug which is smoked. It is cheaper to produce than cocaine and has short-lived but intense highs, prompting addicts to engage in repeated and prolonged use, which ends up permanently damaging the user's health. Like the crack epidemic in the US in the 1980s, which gave rise to the war on drugs, Brazil, and to a lesser extent Argentina, are now struggling to contain the growing number of basuco users. Bolivia is the major supplier to both these nations.

Ichilo, in the department of Santa Cruz, is one of the centers for coca base production, home to at least four of the more sophisticated drug clans. In an interview with the Bolivian TV program "Sin Letra Chica," a member of one of these clans said that his organization worked alongside another, and that between the two they had 600 members. In a good week the two clans produced up to 800 kilos of coca base, he added. Part of this coca base was transported to the Brazilian frontier and sold directly to Brazilian organized crime syndicates; another part was bought by Colombians, who process the base into cocaine. The source also made it clear that the police colonel in the nearby town of Yapancani was on the payroll of the drug traffickers.

There is remarkably little violence between Bolivia's criminal clans, partly because their activities attract such little attention. Unlike the Colombians, and increasingly the Brazilians, Bolivian organized crime prefers to resolve its differences peacefully. This may partly be explained by the strength of Bolivia's indigenous culture, which abhors violence, and seeks to find communal solutions to any problems. However, there is evidence of rising drug-related killings in Santa Cruz, although this may be more linked to TOC than disputes between Bolivia's criminal clans. The United Nations Office on Drugs and Crime (UNODC) has warned that an increase in violence is almost inevitable if Bolivia maintains its position as a drug transit and production nation.

In March 2013, the governor of Santa Cruz called a state of emergency to contain a crime wave in the city, blaming violence on the drug trade. The issue again hit the headlines in July this year when there were five assassinations in Santa Cruz in the space of two weeks, allegedly involving Colombian TOC.

In 2013, 762 gangs were registered in Bolivia according to the National Citizen Security Observatory (ONSC). The majority were concentrated in La Paz (261), Santa Cruz (169), and Cochabamba (106), with over 25,000 members throughout the country. Some of these are simply street gangs; others are better categorized as criminal clans.

Transnational Organized Crime in Bolivia and the "Cockroach Effect"

There have been two developments in the evolution of transnational organized crime in Latin America that are now having a direct impact on Bolivia.

While the Colombians have had an interest in Bolivia for more than four decades, the nature of that interest has changed over the last decade. Pablo Escobar used to fly aircraft filled with Bolivian coca base and even cocaine into Colombia, before the drugs were sent onwards to the world's primary market, the United States.

Today, it is not the Colombians who dominate the US cocaine market, but rather the Mexicans. Indeed, in many cases the Colombians have turned into wholesale suppliers for the Mexicans. While in the days of the Medellin Cartel, the Colombians produced a kilo of cocaine for around $2000 and sold it in the US for $50,000, today most of the profits go to the Mexicans.

A kilo of high-purity cocaine costs around $3000 in Colombia. The Mexicans are buying that same kilo for between $8000 and $12,000 from Colombians in the principal handover point, Honduras. This means that Colombian organized crime is, at best, earning around $7000 a kilo, once transport charges have been subtracted. The risks of interdiction are high, along with the chances of being extradited to the US.

Prices of cocaine headed to the US market from Colombia

$3,000	What it costs to produce a kilo of high-purity cocaine in Colombia.
$8,000 – $12,000	What Mexican traffickers will pay for that kilo in Honduras.
$7,000	What Colombians are earning at most per kilo with high risk of seizure.

Prices of cocaine from Bolivia

$2,000	What it costs to produce a kilo of high-purity cocaine in Bolivia.
$8,000	What a kilo costs in São Paulo and Buenos Aires.
$5,000	What Colombian traffickers can earn per kilo with minimal risk.

In Bolivia, the Colombians can produce a kilo of high-quality cocaine, using Peruvian base, for less than $2000. That same kilo in São Paulo or Buenos Aires is worth as much as $8000. Thus, the Colombians can earn more than $5000 a kilo with minimal risk of interdiction and almost no risk of extradition simply by moving drug consignments across the Bolivian border into Brazil or Argentina.

These two nations also act as transshipment points for the most lucrative markets of all: Europe and Asia. Here is where the Colombians are concentrating their efforts. In Spain, or Holland, the principal ports of entry in Europe, a kilo of cocaine is worth around $40,000; in the United Kingdom up to $50,000; in Russia, up to $80,000, while in Tokyo, that same kilo could earn as much as $100,000.

Today, Colombian TOC is producing high-purity cocaine in Bolivia, moving shipments into Brazil and Argentina, where a percentage of the load is sold before being transported on to Europe or Asia. The Colombians are still pioneers in the international drug trade, and business logic now states that the US market is no longer that profitable for them, dominated as it is by the Mexicans who earn the lion's share from trafficking a kilo of cocaine. Thus, Bolivia has become infinitely more attractive for Colombian TOC.

Another development that has impacted Bolivia is the so-called "cockroach effect." When the lights are turned on in a room, the cockroaches scurry for the dark corners. Organized crime acts much in the same way. The lights are on in Colombia, and the drug barons, once identified, have a rather short shelf life there, and thus are moving abroad. Bolivia has yet to find the light switch.

While Colombians are often captured during raids on drug-producing laboratories in Bolivia, Bolivian police have yet to dismantle any large Colombian criminal structures. An interview with a top level Bolivian police officer, who for political reasons preferred to remain anonymous, revealed that there were three principal Colombian networks. The oldest has its roots in a paramilitary group of Colombia's Eastern Plains, the Peasant Self-Defense Forces of Casanare (Autodefensas Campesinas de Casanare – ACC), once led by Hector Buitrago, alias "Martin Llanos." Buitrago sent some 300 paramilitaries to Bolivia at the end of the 1990s. Bolivian police arrested his cousin, Carlos Noel Buitrago Vega, alias "Porremacho," in Santa Cruz in June 2011. Hector Buitrago was arrested in Venezuela in February 2012.

More recent arrivals include Colombian traffickers from both the Rastrojos and the Urabeños, currently two of the most powerful TOC structures in Colombia.

There are indications that Colombian "oficinas de cobro" ("collection offices") have been set up in Bolivia. An oficina de cobro is a criminal structure used to monitor and regulate cocaine trafficking. The first oficina de cobro was called the "Oficina de Envigado," a structure founded by Pablo Escobar of the Medellin Cartel. He used the Oficina de Envigado to monitor Medellin's underworld and ensure that all traffickers paid their share to "El Patron." Escobar's oficinas collected the payments from traffickers and any other outstanding debts and when necessary hired the "sicarios", or assassins, to carry out the murders of those who refused to pay or offended

Escobar in some way. The model came to dominate the Medellin underworld and was exported across Colombia via the paramilitary army of the Self-Defense Forces of Colombia (AUC). The AUC ran most of Colombia's drug trade from 1997 to 2006, when it demobilized.

Colombian organized crime has now set up oficinas de cobro in Panama, Honduras, Costa Rica, Argentina, Venezuela, Ecuador, Peru, Spain, and Bolivia. In July, Bolivia police captured Alicia Lorena Vargas Muñoz, alias "La Mona," a Colombian accused of running an oficina de cobro in Santa Cruz, linked to a series of drug-related murders in the city.

After the Colombians, the second most powerful TOC groups operating in Bolivia come from Brazil. Due to the difference in language, and perhaps culture, Colombians do not have the same criminal networks in Brazil that they have in say, Argentina. Brazilian groups feed the booming Brazilian drug market, and to secure supplies of both cocaine and its derivatives (as well as marijuana) Brazilian TOC has established a permanent presence in Bolivia and Paraguay.

The most powerful Brazilian TOC are the First Capital Command (Primeiro Comando da Capital - PCC) and Red Command (Comando Vermelho). Founded in the brutal Brazilian prison system, these gangs now control much of the drug sales in Sao Paulo and Rio de Janeiro and have spread out across Brazil. They have made the leap into transnational organized crime, and in Bolivia are based primarily along the border in the departments of Beni and Santa Cruz. In January and March 2013, two different cells of the PCC were dismantled in Santa Cruz, which then-commander of Bolivian anti-drug police Colonel Gonzalo Quezada described as composed of "high-level emissaries" from the Brazilian group, sent to supervise the purchase and transport of drug shipments.

Bolivia's Criminal Future

Bolivia's importance as a transnational hub for drug trafficking is likely to solidify. The drug markets in South America for cocaine and its derivatives are growing and diversifying. Drug production in Peru and Bolivia is unlikely to undergo massive change in the near future. Peru is stepping up its crop eradication and planning to install some radar controls along its frontier, while the US is poised to increase its anti-narcotics aid to the country. This is likely to have a significant negative impact on Bolivia. While Morales has had success in containing coca production in Bolivia, should the supply of cheap and high-quality coca base from Peru go down, the pressure by drug traffickers for product within Bolivia may increase substantially.

Morales' re-election means that the current state of relations with the US is unlikely to change. Now, not only is there no DEA presence, but as of mid-2013 the Bureau of International Narcotics and Law Enforcement Affairs (INL) and USAID have also left. While Bolivia is now leaning on the European Union and Brazil for counternarcotics aid, neither of these have the experience, resources, or data to begin to fill the void in strategic intelligence once supplied by the US.

Bolivia's challenge is to strengthen its institutions and law enforcement capacity enough to provide enough resistance to TOC, so that it looks elsewhere to establish its operations. Without a radical change in Morales's strategy, and a huge investment in resources, this is unlikely to occur. TOC is already in Bolivia, and the longer it is able to put down roots, the more likely it will penetrate state institutions. There is already evidence that this is happening in Santa Cruz, in both the city and department. The city is becoming a larger and more sophisticated metropolis with some 1.5 million inhabitants and is growing fast. Santa Cruz is developing high-quality hotels, restaurants, night life and luxury apartments, all the elements senior drug traffickers find attractive in an operating base.

While top-level traffickers still prefer to reside in Buenos Aires, particularly the Colombians, Santa Cruz is nevertheless booming. This could change the city from its current position as a center for negotiating the purchase and transport of drug consignments, to an attractive place of residence. If senior narcos take up residence here, they will not only accelerate the corruption of law enforcement and legal institutions, but will likely seek to influence the political arena as well.

It must be remembered that the Mexicans started out in the cocaine business as transporters for the Colombians. Today they dominate the US cocaine market. The longer that Bolivia remains a drug production and transshipment nation, the more likely it is that Bolivian organized crime groups will evolve into sophisticated transnational organizations. Without significant investment in the fight against drug trafficking and TOC, the prognosis for Bolivia can only be pessimistic.

Ten Reasons Why Bolivia Is a Potential Haven for Transnational Organized Crime

It is important to note that InSight Crime does not believe that Bolivia has been taken over by transnational organized crime (TOC), nor is even close to it. However, the country is vulnerable and the opportunities and potential for earnings from the drug trade are currently too high for international criminal groups to ignore.

1. Drug crops. Bolivia is not only a transit nation for drugs, but also is a coca and cocaine producing nation. While President Evo Morales has managed to reduce coca crops over the last three years, it is going to become increasingly hard to contain coca cultivation.

The reasons for this are partly due to sustained eradication campaigns in both Colombia and Peru. Colombia, the only nation which permits the aerial eradication of drug crops using glyphosate chemicals, has managed to stabilize coca cultivation at just under 50,000 hectares, although with significant collateral damage. Peru, under President Ollanta Humala, has put eradication at the center of its anti-drug strategy, eradicating more than 22,000 hectares in 2013, almost the total number of hectares of coca under cultivation in Bolivia.

The "balloon effect" -- which refers to the shifting of drug production to different countries in response to repression in others -- means that the pressure to grow more coca in Bolivia is likely to increase, so long as demand remains constant. At the moment, Peru exports around 200 tons of coca base into Bolivia per year, some of which feeds the domestic crack cocaine (or "basuco") markets of Brazil and Argentina, the rest of which is processed into cocaine. Should there be a significant drop in the supply of Peruvian coca base, thanks to increased eradication efforts in Peru, the likelihood is that drug trafficking operations in Bolivia will promote and increase the sowing of drug crops locally.

At the moment, Bolivia's coca crops remain concentrated in the two traditional areas of production: Yungas in La Paz and the Chapare region of Cochabamba. However, there is evidence that some coca, destined for the cocaine market, is being grown outside of these areas, sometimes in national parks. This wider dispersion of drug crops has already been seen in Colombia, the result of eradication efforts and strategies by organized crime to move coca plantations closer to Colombia's borders, and therefore closer to departure points and markets. This pattern could be repeated in Bolivia.

2. Corruption. There is evidence of widespread corruption within many of Bolivia's institutions, among them the police.

In 2011, the US engineered the arrest of Bolivia's former anti-drug czar, Police General Rene Sanabria, in Panama. Sanabria was later convicted to 15 years in prison by a Miami court after pleading guilty to smuggling cocaine.

Sources within the Special Counter-Narcotics Police Force (Fuerza Especial de Lucha Contra el Narcotrafico - FELCN) told InSight Crime that drug-related corruption did not end with Sanabria and that elements of the police were still working with drug traffickers. Jessica Echeverria, a deputy in the legislative assembly, who was an opposition politician before switching over in October to the governing party, the Movement Towards Socialism (Movimiento Al Socialismo - MAS), told InSight Crime that "the police are working with Colombian drug traffickers here in Santa Cruz." Underworld sources in Santa Cruz confirmed this, saying that high-ranking police officials were on the payroll of drug traffickers and organized crime.

Two criminal defense attorneys in Santa Cruz, who spoke to InSight Crime on condition of anonymity, insisted that the justice system is also open to bribery.

“The costs are between $20,000 and $50,000 to be able to walk free from everything apart from the most high profile cases, and that is divided up between the prosecutors and the judge,” said one of the lawyers.

A senior source in the FELCN said that there was a high level of frustration with the justice system. “Routinely drug traffickers that we have caught walk free, due to judicial inefficiency or corruption. There have even been cases where the assets and money we seize are given back by the judges to the accused, who have been caught red handed,” he said.

Bolivia's penitentiary system is also totally corrupt. InSight Crime managed to enter Bolivia’s most notorious prison -- Palmasola in Santa Cruz -- simply by bribing the police at the gate. Criminals are able to operate with impunity within Palmasola, and continue carrying out illegal activities.

3. No control over air space. Drug traffickers always prefer moving shipments by air if at all possible. Planes can move large consignments, and the drugs pass through very few hands, reducing the costs as well as the risks of betrayal or seizure. The Medellin Cartel’s favorite route for moving drugs to the United States was via Norman's Cay island in the Caribbean, where fleets of aircraft arrived from Colombia to refuel and continue the journey on to the US. However, the installation of radar stations across Colombia and the deployment of fighter planes to interdict drug flights -- and if necessary shoot them down -- quickly closed the air bridge from Colombia.

However, Peru, Bolivia, and Paraguay have little radar coverage and almost zero aerial interdiction assets, meaning the skies are wide open. This is a major factor in making Bolivia a drug trafficking hub and a huge attraction for TOC. Investigations in Peru revealed that up to 200 tons of drugs leave for Bolivia by air every year. Colonel Marcos Encinas, the sub-director of the FELCN, told InSight Crime that he believed that up to 30 tons of drugs (including marijuana shipments) transit through Bolivia every month.

Bolivia is aware of the air traffic passing unmolested over its head. On April 22, 2014, President Morales signed the "Law of Security and Defense of the Bolivian

Airspace," which allows for the shooting down of drug flights. But since Bolivia lacks the radar to track such flights and the fighter aircraft to intercept them, the law is little more than a statement of intent.

Both Brazil and Argentina have better control over their airspace, but there is still significant air traffic into both countries, some legally declared, others taking their chances. In Brazil, to minimize the risk of interdiction, some pilots entering from Bolivia employ a tactic known as "bombing." This involves packing drugs into special, high-impact containers that can survive a drop from a plane in flight. This ensures the aircraft does not need to land to unload, significantly reducing the risk of interception and seizure of the precious cargo.

Sabino Mendoza, the head of the leading government counternarcotics body, known as CONALTID, told InSight Crime that the country is already taking measures to improve its ability to take on the transit of drugs. The government is planning to deploy several mobile radar platforms in key areas where drug trafficking is concentrated, principally the departments of Beni, Santa Cruz, and Pando. Mendoza also said the government is in talks with Brazil over the use, and potential acquisition, of drones to detect drug laboratories -- these give off heat signatures due to their use of generators and microwave ovens. However, there is no firm date on the purchase of such equipment, let alone its deployment, and it would seem that the traffickers have several more years of clear skies.

4. Weakness of law enforcement against the threats presented by TOC. This is not only due to the corruption of Bolivian law enforcement agencies, including the police, the attorney general's office and the justice system, but also due to the fact that Bolivian law enforcement simply does not have the legal instruments needed to wage an effective war against TOC.

The police lack two of the most important tools used by international law enforcement. The first is the ability to intercept communications. This is illegal in Bolivia, with no plans to pass the necessary legislation to allow for it. There is also no legislation laying out terms for the treatment of informants, meaning that police and prosecutors cannot reward would-be informants with money or with reductions in prison terms. One source in the US Drug Enforcement Administration (DEA) in Colombia told InSight Crime that without these two tools to fight organized crime, the DEA would have to “pack up and go home."

Bolivian law enforcement also does not have the intelligence capability on national organized crime, let alone TOC. For retired Police Colonel Rolando Fernandez Medina, the key opportunity for TOC came with the departure of the last DEA agents from Bolivia, expelled by President Morales, in 2009. This ended three decades of DEA presence in Bolivia. With the agency's exit went all of the strategic intelligence on TOC, as well of most of the intelligence gathering capability within Bolivia. While the European Union and the Brazilians have been supplying counternarcotics aid, they simply do not have the same experience, or intelligence capability, of the DEA.

5. Lack of money laundering controls. Money laundering is also relatively straightforward in Bolivia. Global watchdog the Financial Action Task Force (FATF) removed Bolivia from its "grey list" of countries that aren't doing enough to combat the crime in 2013, after Congress passed basic anti-money laundering legislation. However, there are almost no controls over the banking system. There have been only a handful of money laundering investigations opened and even fewer convictions.

"Pedro," a drug trafficker in Santa Cruz, told InSight Crime that he had witnessed international criminals arriving at construction companies with suitcases full of cash, and that laundering money in Bolivia was often that simple.

6. Culture of informality and illegality. Well over half of Bolivia's economic activity is carried out in the informal, and often illegal, sector. Smuggling has long been the lifeblood of communities along Bolivia's five porous borders and this illegal industry employs far more Bolivians than the drug trade. Indeed, smuggling is a tolerated illegal industry. Smuggled cars -- many stolen in Chile -- make up a significant percentage of those driving along Bolivia's roads.

This culture means that there is little to no reporting of economic activity, illegal or otherwise, to the authorities. Many local communities, not just along the frontiers, live off the informal or illegal sector. This means that these communities have a vested interest in protecting the black economy, making the work of law enforcement extremely difficult. There have even been examples of local communities taking on the security forces that attempt to clamp down on drug trafficking activity. In the community of Yapacani, in Santa Cruz department, there were sustained protests against the building of an anti-narcotics base.

7. Open borders and lack of migratory controls. Bolivia's long, porous borders (at 3,420 kilometers, the border with Brazil is more than 200 km longer than the frontier Mexico shares with US) and lack of migratory controls ensure that Bolivia is a smuggling center and therefore extremely attractive to TOC. The porous borders mean that not only can drugs move in and out of the country, but so can the precursor chemicals and foreign manpower needed to process them. International criminals, even those with national arrest warrants, can also move in and out of Bolivia with consummate ease.

The head of Bolivia's migration authority, Cosset Estenssoro, revealed that Bolivia does not have information on national arrest warrants, only those international warrants registered with Interpol. This means that Colombian drug traffickers with national arrest warrants can enter Bolivia with no fear of detention, something confirmed by underworld sources in Medellin.

InSight Crime was offered a real Bolivian passport by underworld sources in Santa Cruz for $5000, suggesting that getting false papers in Bolivia for wanted drug traffickers is not a huge challenge either.

8. Lack of state presence in many rural areas. Bolivia, with over 1,000,000 km^2 of territory and a population of under 11 million, has vast tracts of the country with little population and no state presence. This provides a plethora of opportunities for TOC. Many of the laboratories where cocaine is processed are situated in remote areas, with clandestine airstrips providing not only the drugs, but the chemicals, personnel, and supplies needed to process them. This significantly reduces the risk of laboratories being found and destroyed, and ensures that drugs can be processed and transported with relative ease. This also means that international criminals, perhaps on the run, can hide out in remote ranches and farms with little fear of discovery.

9. Lack of transparency, politicization of state institutions and restrictions on media coverage. The political environment in Bolivia is one of great polarization, something which has continued, if not worsened, under President Morales. InSight Crime spoke to several high-ranking police officers, all of whom were afraid to go on the record, who stated that promotion within the police force at the higher ranks is dependent on political affiliation, not merit. Sources in three other ministries said that the same phenomenon was present in their government institutions.

There are almost no statistics made available by the government. Investigations by InSight Crime suggest that this is not because the government is seeking to hide information, but because data is simply not being collected. This means there is little indication of the challenges to national and citizen security, let alone the information necessary to make meaningful analysis and design detailed, integral policies.

There is also little tradition of investigative journalism on the subject of organized crime, and there have been incidents of the government pressuring journalists. In 2010, Morales enacted a law meant to address the portrayal of indigenous people in media, but which has been used to pressure media outlets into towing the official line.

10. Lack of an integrated strategy to tackle transnational organized crime. CONALTID, under Sabino Mendoza, is seeking to put together a strategy to take on the international drug trade. While some measures are being put in place, including the reactivation of the Bolivian Observatory of Drugs (Observatorio Boliviano de Drogas - OBD), an integrated counternarcotics strategy -- one that includes realistic levels of funding -- is still in its infancy.

The European Union has thrown its support behind the Bolivian government, seeking to make up some of the shortfall with the loss of USAID money. InSight Crime spoke to EU representative Nicolaus Hansmann in La Paz, who said that the EU had adopted a "diverse, country specific, evidence-based approach," which includes crop substitution, the training of police and support for financial investigation.

However, this process too is still in its early stages, and it is clear that there are currently few serious obstacles to the operations of TOC in Bolivia.

Voices from Bolivia's Underworld

It is hard not to like Pedro. He is bright, charming and speaks flawless English. He is also a career criminal, from a criminal clan. Now 40, his criminal life started at 15, and he knows the underworld in Santa Cruz intimately.

"I was always attracted to the easy money. I liked always having a roll of bills in my pocket. I liked being able to keep up with my friends from the rich families. Now I can't do anything else."

He worked credit card fraud and forgery before being arrested in Brazil. He has been in prison in both Bolivia and Brazil. He has now switched to microtrafficking (selling drugs in Santa Cruz) and some drug trafficking (transnational smuggling) and is currently working with Colombians in the cocaine trade. He is a walking encyclopedia of organized crime in Santa Cruz. He was happy to talk generally about the business, but no names -- absolutely no names.

"Initially my gig was credit cards, working Brazil and Argentina. We had a network of guys working in high-class restaurants and boutiques, sucking down the details of credit cards. The secret is to get the credit card terminal, tamper with it then place it in a restaurant or boutique. Then you can get all the information, even the PIN. Now, however, I've done time for this, and am known by the banks and credit card companies. I had to make a career change."

Pedro's career change has been into the cocaine business. It was not a big leap, as members of his family have long been moving cocaine paste, a form of crack cocaine, into Argentina, for sale in that booming domestic market. He works for Colombian transnational organized crime. His principal role is selling high-purity cocaine in personal doses to his high-society friends in Santa Cruz. This money, earned in bolivianos, helps the Colombians with their day-to-day operational costs in Bolivia, without the need to attract attention by changing large amounts of foreign currency.

Pedro can earn more than 100,000 bolivianos (about $15,000) off a kilo of high-purity cocaine, produced by the Colombians in their laboratories in Bolivia. The Colombians sell some of the product in Bolivia, before moving it on to Brazil, where they sell some more, to finance transport to the really lucrative markets of Europe. Pedro is also sometimes involved in prepping mules and small-scale shipments for export.

"One of the popular ways of moving cocaine at the moment is putting it into liquid form, which can then be sprayed on clothes. The clothes do not go stiff. Once the guy arrives at the destination, the clothes are washed in a special solution and the cocaine extracted. If you know what you're doing, as little as 10 percent of the cocaine is lost. Moving drugs this way is really hard to detect.

"The Colombians run most of the crystallizing laboratories in Bolivia. They know how to produce the really high-purity cocaine. The Colombians prefer getting their hands on base from Peru, which costs around $1,400 [per kilo]. It tends to be a better quality, and is cheaper than the Bolivian, which usually goes for $1,800.

"There are three types of Colombians in Bolivia. The first is the high-level narco, who appears to be a businessman or a rancher. The second is the *sicario*, the killer. The third, and by far the most common, is the thief or low-level criminal. This last group are about the only ones that actually ever get arrested.

"The narcos work at the highest level, always with the police, to cover their operations. Usually there's a Bolivian middleman who acts as the bridge between the Colombians and the police.

"Police corruption is the key to underworld activities here in Bolivia. The police are involved in everything. I personally know of a case where police were contracted to kidnap someone who had some outstanding debts. They charged $6000.

"But it is not just the police who are corrupt. If by some miracle you actually get arrested and charged, you can buy most judges off for $20,000."

Cocaine is also not the only drug being sold or moved through Bolivia.

"It is not just the coca base and cocaine passing through Bolivia, there is also a fair bit of Paraguayan marijuana. It costs $30 a kilo to produce in Paraguay; you can buy it at the Bolivian border for about $100. The highest quality stuff can go for over $2,500 a kilo once distributed."

"While the Colombians are the big players here, there are Brazilians, and also some Russians and Italians handling some of the product heading to Europe. There are some Mexicans, and they now control the US market. Not even the Colombians will mess with them."

Asked about the geography of Bolivia's drug trade, Pedro was able to rattle off the principal centers.

"Beni [the department] is the main crossing point for cocaine into Brazil, not Santa Cruz. There is little control in Beni and less along the remote frontiers. The traffickers 'bombard' the drugs into Brazil. That means they often do not bother to land and unload the drugs, but throw the drugs, specially wrapped, out of the plane. This reduces the risk of interdiction and tracking. There are lots of landing strips in Beni.

"For money laundering, Santa Cruz is the big center. There's plenty of money here coming in legally from Brazil, Paraguay and Argentina. There are no bank controls; nobody asks where the money comes from.

"There are plenty of laboratories in and around Santa Cruz, but for the Bolivians, the big place is San German, in the district of Yapacani in Santa Cruz department."

A Coca Base Producer Speaks Out

The following are extracts of an interview conducted by Sin Letra Chica, a TV program by Carlos Valverde, with a member of a Bolivian criminal clan based in San German. The extracts are reproduced with the permission of Carlos Valverde, and with InSight Crime's thanks.

Where does the coca that you process into drugs come from?

The coca arrives in the greatest quantity from Chapare, from Bulo Bulo (Cochabamba), Entre Ríos (Tarija) and Ivirgarzama (Cochabamba). The flow is constant. We're talking during a normal week, just talking about my group, they deliver coca to us every Saturday and Sunday. There are brokers who are permanent suppliers, and others who deliver stuff occasionally. The coca arrives in packets [huge bags of coca known locally as "chanchos"], 70 minimum, but with those coming from the area of La Paz there are between 350 and 400 packets in each trip. Some of the packets have the markings of the DIGCOIN [General Directorate of Coca Leaf and Industrialization - Dirección General de la Hoja de Coca e Industrialización, which means the coca has been legally registered], especially those from La Paz, while the rest are illegal.

You just produce coca base, or also refined cocaine?

We just produce coca base; other groups refine the cocaine.

How are the drugs moved to the market?

Aircraft land in the zone. And while we, the workers, are loading up, the men who arrived in the aircraft, who we have often seen before, get into waiting vehicles to go and speak with our bosses. Those we have not seen before, they tend to be Brazilians. We're talking about 25 to 30 minutes, the time it takes us to load up the planes. While this is going on, there is a group guarding the entrance to the area and another group much closer.

What do you do if one of you, for any reason, is detained by the police?

If it is someone from our group, and if he is detained here in the zone of Yapacani by the police, he is freed the moment they know that he is from our group. If, however, he is detained by the FELCN [the anti-narcotics police] in another part, it usually takes two days to arrange for his release. Sometimes one of us is detained, say for fighting, for being drunk or whatever, or in some cases for selling small quantities of drugs; we are talking about 300 to 500 grams that you can sell in Yapacani. If the police find that, then you are detained and taken to the police station. That is when our boss calls the colonel, and the colonel makes sure we are freed.

Is there any control over you moving around the zone? Can you go freely?

We cannot leave. The form of control is that now one person watches us, a Colombian who moves about on a motorcycle. When we are not working he passes by my house, and the house where the majority of us in this group work. He passes in the morning and we have to be there, so he can see us. He doesn't say anything, he just passes by, and he returns in the afternoon and we have to be there then as well so he can see us.

And if you are not there?

They have told us that if we are not going to be around we have to say where we are going, and who we are going to be with. We can go out with others of our group, but only for a short time, say a day, and when we do that, they provide us with a vehicle. They've told us that if we are not around, they could punish us in different ways. They have threatened us, saying we could disappear, that they could kill us, that we would not receive any money.

And so how do you feel about that?

Afraid, afraid that they could take things out against me and my family. I'm frightened at the moment because there are problems between two groups, and the Colombians who are managing them, they have lots of control and there are people that say they will kill you. There have been cases of people that have gone fishing, and have been killed on the banks of the river.

You have said there are four big groups that control this zone, and you've mentioned that sometimes there are problems between them. How many people make up these groups? How much product are they producing?

Well, two of the groups I know about number maybe 600 between them, although that can depend on the amount of work there is. Let's say there may be 450 to 500 workers, most of whom are from around here. Those that are not, they rent rooms in the houses here. As far as production is concerned, on a good week each group can produce between 600 and 800 kilos.

You have said that there are four people that command the groups here, and one who is above them.

Yes, there is one above them all, and he usually only comes once, maybe twice, a year to the zone.

Does he have some political, administrative or official position?

Yes, he has a political position, he is some kind of minister. We have only seen him from a distance, but we know what he looks like from the television.

Bolivia Anti-Drug Czar Recognizes Challenges

Bolivia's anti-drug czar, Sabino Mendoza, is well aware of the challenges that drug trafficking and transnational organized crime present to his landlocked Andean nation. However, he is convinced that the country is on the right track to neutralize these threats.

Sabino Mendoza is the head of the National Council for the Fight Against the Illicit Trafficking of Drugs (Consejo Nacional de Lucha contra el Trafico Ilicito de Drogas - CONALTID), Bolivia's counternarcotics agency. He is also, like President Evo Morales, a former leader of the country's powerful coca growing syndicates. This government's ability to work alongside the coca growers, or "cocaleros," has been key to Bolivia's success in reducing the illegal cultivation of coca crops, and in seeking to contain the sale of coca to the illegal drug market for the production of cocaine.

Sabino Mendoza

CONALTID has been the main beneficiary of more than $33 million worth of anti-drug aid from the European Union. The European Union is well aware that much of the cocaine being processed in Bolivia, or passing through this nation, is headed for the lucrative European market.

Mendoza agreed to an interview with InSight Crime about the criminal dynamics that are enveloping this nation.

How do you see the current threats in terms of criminal activity for Bolivia?

Well, for us it's obviously a strong worry. On the one hand our country is a transit point for Peru and also Paraguay to a market that is, let's say, Brazil. So, for us as I said it's an enormous worry and we are working on this issue with our neighbors. We're talking about the three countries: Peru, Paraguay, and Brazil. Above all with Brazil. Recently we've tried to carry out joint actions, the same with Peru, but these joint actions in my opinion should be more frequent. We started the work last year with a signed agreement, a tri-national agreement between Bolivia, Peru, and Brazil.

We are waiting for the next meeting that's going to take place in Brazil. We need this meeting. What definitely has to happen is that we first strengthen our borders, the longest of which is with Brazil.

What strategy does Bolivia have in place to meet these threats?

Well, we have a strategy that finishes in 2017, but we also have a plan that accompanies it, a plan to implement the strategy. This plan is focused on how to protect our borders. We've completed the first step with the law to shoot down unregistered planes or unidentified planes [Law 521, passed in April 2014]. So this is an important first step in this work and obviously the strengthening of our migration controls which are crucial for us. This is particularly relevant in [the departments of] Pando, Beni and Santa Cruz, which border Brazil. And obviously the implementation of technology, we can't speak about the specifics of the technology, but using, turning to technology above all with the question of interdiction. This will enable us in some ways to address this issue which is a complex one. But the Bolivian state is doing the work with all of the necessary urgency.

You have talked about Bolivia being a transit nation. How important is the role of transnational organized crime in this phenomena?

According to the information we have from the Special Force (Special Counternarcotics Force "Fuerza Especial de Lucha Contra el Narcotrafico - FELCN) we know there are foreign "emissaries" in this country, which is the term that the Special Force generally uses. We know that these emissaries have ties with criminal clans in Bolivia. As we do the constant work of interdiction, we are identifying these people as we continue in the persecution of drug traffickers.

Many of those who have been detained in Bolivia have been Colombians, many in Beni and Santa Cruz. The notion of emissaries dates back a couple of years. But we can say is that operations have been carried out, using hard intelligence, by the Special Force. This situation could have reached a breaking point, and even got worse, but we have conducted operations to mitigate this. The key in this task, where we have been concentrating efforts recently, is on the issue of information gathering, which we have strengthened and which has allowed us to reduce the risks through the intelligence now being fed to the Special Force.

How important have Bolivia's social movements, like the indigenous groups and coca growers been in the fight against drug trafficking?

These have always been a good ally in our work, particularly important because the Bolivian state has traditionally had weak ties to many of the rural communities in the country. The president, Evo, comes from a very poor sector, that of Cochabamba. He comes from a community with strong convictions about defending the anti-drug process and we have been carrying it out successfully, that we can say with confidence.

So there many parts of the country where strangers cannot enter without attracting attention. Communities are able to quickly identify those who may cause problems,

and we do not have a culture of consuming drugs. These elements strengthen our work enormously, and the Bolivian state is seeking to strengthen these. We have the army, we have the police, we have intelligence, but if there was not this consciousness of, and work by, the rural peasant sector not to be a part of transnational organized crime, we will be looking at a very different situation in this country.

Inside Bolivia's Most Dangerous Prison: Palmasola

Antonio[1] laughed as he pointed to the sign above the entrance to Bolivia's most notorious prison. "Rehabilitation centre? This is where you come if you want to find out what makes crime truly organized."

A rolled-up bill with an ID card and the name of an inmate is all that is needed to gain access to the most violent prison in this Andean nation. Nobody looks twice, even at a "gringo," as within these walls there are inmates of every nationality.

You can get almost anything into Palmasola, so long as you pay the policemen who guard the doors. Outside are porters with wheelbarrows, the prison's taxi service. Visitors pay the porters to load up and bring in everything from toilet paper to flat-screen TVs. Antonio, a former inmate, was bringing in marijuana to pass on to some friends. The prostitutes, easy to pick out in the line of waiting visitors, make a good living on the days they work within the prison walls.

The police who guard Palmasola -- about 40 in all -- are estimated to earn up to $20,000 a day between them, thanks to the "tolls" that people pay to move visitors and products inside. While a significant percentage of that $20,000 is paid as bribes to officers further up the chain of command, the policemen here still make more than 10 times their official salary.

Entering the prison, we saw an older man dressed in designer jeans and cowboys boots walking out. The guards deferentially waved him through. "He's the 'sheriff' of the whole prison," explained Antonio, "the senior prisoner. He comes and goes as he pleases."

Within the 4m high walls are four different sections of the prison. There is the administrative section; PC2, the woman's prison; PC3, where the most violent inmates are held, and then PC4. This section is really a small town (pictured below), taking up most of the prison space, where if you have money, you can live like a king.

[1] *Name changed to protect his identity.*

Inside section PC4 in Palmasola prison, Bolivia

In August last year, PC3 saw a prison riot which left 32 inmates dead and 70 wounded. In what was a battle for control of the patio, inmates turned domestic gas canisters into flamethrowers. Apparently at least one police officer was complicit in the massacre: he opened a door that allowed rioting prisoners to enter another section.

The first payment of $500 simply gets you into PC4, without having to pass through PC3 first. Once through the gate you enter the prison's criminal economy. There is no cell waiting for you: you have to rent or buy one. If not, you sleep on the floor. A one-off payment of $120 is also necessary upon entry to cover the "cleaning" costs of PC4. If you don't have the $120, you do the cleaning.

When Antonio arrived, he knew the score and he had the necessary cash stacked up. He paid the police guards to get into PC4, he paid the "cleaning" fee, he bought not only a cell, but a "shop" for $13,000, a few square meters of real estate where prisoners set up businesses, anything from restaurants to Internet cafes. He used the income from the shop to live while he was incarcerated. He also paid $3000 to the "sheriff" of PC4 -- who was introduced to me as "Sarudo" -- so that no one would bother him.

"Sarudo runs everything here," said Antonio. "When you buy a cell or a shop off another prisoner, he acts as the notary. Without his signature, no deal is sealed. I paid him $3000 to make sure that nobody messed with me. It was a bargain."

Sarudo governs all inmates in PC4 and regulates the criminal economy. Like most of the "prison management" he is a "trenton," someone who's been sentenced to 30

years, which means he is a murderer. He runs the prison population by using the inmates who cannot pay the "cleaning" fee. These men, almost all Bolivian, like Sarudo, pay their way by doing the cleaning, acting as the local police force, and imposing internal discipline.

Bolivia's Palmasola Prison: What You Pay

$1	Every time you enter the prison and move between different sections.
$1	Every night that you want your wife, girlfriend or child to stay in the prison.
$1.50	Decent meal in a restaurant.
$15	Visit to the women's section, PC2.
$120	One-off payment for the "cleaning" costs within the prison.
$500	Ensure entry to PC4, not PC3, the most violent section.
$250	Month's rent for a cell
$3,000 – $7,000	Buying a private cell.
$13,000	Purchase of one of the "shops," the commercial properties within PC4.

At the center of PC4 is the sports area, where inmates play football and basketball. To one side is a dank and dark cell where Sarudo places those who refuse to obey the prison code. The cell was damp, open to the elements, and about 12 m^2. There were six men squeezed into the space, trying to get as far away from the door, and the driving rain, as possible.

"That is where they take those inmates that need further discipline," said Antonio, pointing to an alleyway that led to the prison wall. "Further discipline involves the selective application of violence," he added, smiling.

Antonio introduced me to two of his friends, Bulgarians, who were serving seven-year sentences for acting as drug mules. They had rented a "suite," which was made up of a bedroom, a bathroom and a living room with a fridge and a gas ring for

cooking. They lived above an Internet salon. While the signal was not strong enough for Skype calls, the Bulgarians were able to keep in touch with friends and family back home via e-mail.

"It is not bad in here," said one of the Bulgarians, drawing on a marijuana joint. "In fact I might stick around in Bolivia once I finish my sentence, there are plenty of opportunities here."

The prison does supply food: huge metal vats dumped at the entrance to PC4 and distributed by Sarudo's men. But those prisoners with some money avoid this food wherever possible. We ate at one of the prison restaurants; five soup portions and five plates of spaghetti with meatballs cost me under $10, and the quality was certainly higher than many of the Bolivian establishments on the other side of the prison walls.

Within PC4 there are more than 12 different cellblocks, where most of the more "luxurious" cells are to be found. Antonio took me to meet a Colombian drug trafficker in Block 9. The cell would have put several three-star hotels in Santa Cruz to shame. A large spacious room, with a cooking area to one side and a separate, immaculate bathroom with a shower. A flat-screen TV was stuck to the wall by the bed, and a computer sat on the desk. The cell was worth $7000, money that its inhabitant would recoup when he sold it on, once his sentence was complete. Sarudo, of course, would take his notary fee, but then everyone knew that his seal meant that the terms of any sale would be fulfilled.

Antonio, a lifelong criminal, learnt a great deal in PC4. He made some very good contacts, contacts there were to lead him to his current job, working for a Colombian drug trafficker, moving very high-purity cocaine.

"This is truly a university of crime," he said.